

Is there a role for microfinance in decentralized energy supply? - Minutes of Meeting

José Maria Ordeix, Head of Latin America at MicroEnergy International, introduced the aim of the session which was to discuss the potential role microfinance can play when it comes to decentralized energy supply. He emphasized the unique set-up of the panel consisting of four different continents, namely Asia (Philippines), Latin America (Honduras), Africa (Uganda) and Europe (Luxembourg) but also four different types of institutions, a MFI network, a 2nd tier bank, a MFI support organization as well as policy level.

Presentation 1: Patricia Kawagga (Coordinator at [Rural Electrification Agency, Uganda](#))

She states that MF for energy projects is about the passion! Investors and equity, is to get profit out of it.

Mission and vision of microfinance MF: Why do they do? What exactly do they do? How do they do?

When approach a MF project, how do you approach it?

Energy is a requirement for development.

Big idea from management, we want a product to promote, energy product.

The challenge: Clients come and say, I want to get an energy loan. Where is the return from this loan?

I know how to mobilize credit, how to mobilize loan, but energy not!

Establish frameworks and partnerships.

High cost of capital, when high risk, interest get higher.

Investors are reluctant because there is a lot of risk they do not understand.

MF can be very flexible, seasonal installments. Sometimes people can pay back the installments with coffee instead of cash.

MF has a big role in facilitating access to energy in rural areas, but they need support, on capacity building, on addressing the many challenges that exist in such projects.

Questions

- 1. Moderator: you have talked about the difficulty to engage the credit agents actively in the project. What was your experience? Could you change this?**

Answer: it's about capacity building. If things come from above, you experience resistance. So you need to get them involved in the project. It takes some time. Also, we used some small incentive amounts to motivate them in this new project.

- 2. You always talk about the importance of capacity building. Can so much training be seen as negative by the credit agents?**

Communication is important.

- 3. Are there persons in your institution with technical expertise to answer questions?**

Not many institutions do that, but in her own experience, she was the contact herself [within Finca Uganda]. I use to go around in the branch offices and give the trainings.

Presentation 2: Allan Robert Sibat (Executive Director of the Microfinance Council of the Philippines Inc.)

Questions

- 1. You say that microfinance should stay on the financing side of the business and try not to get too much on the technical side. But that credit officers are often asked technical questions? How do MFI deal with this?**

A: The role of the energy officer is very important. They even have sometimes to check personally the functionality of the systems.

- 2. How much experience is there in the field of leasing? For examples for SHS, or solar loans. Is that possible from the policy framework?**

A: from a Policy Framework we don't have any problem with that.

Presentation 3: Maria Elena Carias (Project manager for energy financing at Fundacion Covelo in Honduras)

Questions:

- 1. Cuantos proyectos tienen al momento?**

Tienen 6 proyectos y ya estan trabajando con una institution del gobierno.

- 2. Quiera saber si implemantan esto en Honduras o también en otros paises de Latinoamerica.**

El proyecto abarca Honduras, Salvador, Nicaragua y Guatemala.

- 3. Como es el contrato entre la IMF y el proveedor? Como se reparten las responsabilidades de cada parte?**

La meta es asegurar el servicio post venta, preparar tecnicos en la comunidad que den servicio de mantenimiento. Vincular estrechamente al proveedor con la comunidad. Asegurar que el proveedor no se desligue de la venta.

- 4. Quien es que pone el contrato, el proveedor o la MFI?**

A: ambos; es un proyeto de cooperacion tecnica; en el contrato ellos se comprometen en capacitar a los lideres de la comuniad para que no haya alejamiento del proveedor con la comunidad.

Presentation 4: Carla Palomares (Project Officer Inclusive Financial Services at ADA, Luxembourg): The Energy Inclusion Initiative by ADA and MicroEnergy International

Summing up, the panel agreed that microfinance indeed has a role to play in decentralized energy supply, however, many institution still lack the right incentive settings and business models that effectively organize the processing of technical and financial knowledge.

Moreover, the *Action Group on Microfinance and Environment* the Action Group on Microfinance and Environment was officially launched and presented after the session. Created in the framework of the European Microfinance Platform, this action group is the first of its kind and is unique in bringing together the most innovative actors at the intersection of microfinance and environmental issues. Its work will greatly contribute to enhance the visibility of current initiatives, to improve the exchange of information among practitioners and will provide new, practical tools to advance environmental microfinance, such as a directory of organizations providing funding or technical assistance in environmental microfinance, an environmental product catalogue for MFIs, a collection of case-studies (showing best practices and lessons learned), and a catalogue of criteria to assess the environmental performance of MFIs.